ELIAS MOTSOALEDI LOCAL MUNICIPALITY

ANNUAL BUDGET POLICY

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Preamble

In terms of chapter 4,section 16 of the Municipal Finance Act,2003(Act No.56 of 2003)a municipal council must for each financial year, by way of annual budgets, appropriate money from its Revenue fund for the requirements of the Municipality. The annual budget of a Municipality is both a legislative requirement in terms of the Municipal Finance Management Act, 2003, as well as a tool for planning and control. The financial year of local authorities covers the period 01 July of each year to 30 June of the following year.

A Municipality must, in terms of chapter 5, section 25(1) of the Local Government Municipal system Act, 2000 (Act no.32 of 2000), undertake developmentally oriented planning. It must adopt a single, inclusive and strategic plan in the form of an Integrated Development Plan (IDP).This must form the policy framework and general basis on which annual budgets must be based.

1. PURPOSE

1.1. To set out the budgeting principles which the council will follow in preparing each annual budget, as well as the responsibilities of the chief financial officer in compiling such budget.

1.2. To ensure that the Elias Motsoaledi Local Municipality only incurs expenditure in accordance with its approved budget.

1.3. To assist the Elias Motsoaledi Local Municipality in the management of its income and expenditure so as to achieve its goals as set out in its policy documents.

2. PRINCIPLES

2.1. The council shall adopt three –year budget statements for the next financial year's budget. The budgets statements shall be the focal point of the budget, and shall be linked to the IDP.The Budget and IDP review process are to run concurrently.

2.2. Except in so far as capital projects represents a contractual commitment to the Municipality extending over more than one financial year, the annual capital budget shall be prepared from a zero base.

2.3. The Capital Budget component of the annual or adjustments budget shall only be approved by the council if it has been properly balanced, that is, if the sources of finance which are realistically envisaged to fund the budget equal the proposed capital expenses.

2.4. Before approving the capital budget component of the annual or adjustment budget, the council shall consider the impact on the present and future operating budgets of the municipality in relation to :

a) Finance charges to be incurred on external loans;

b) Depreciation of fixed asset;

c) Maintenance of fixed asset; and

d) Any other ordinary operation expenses associated with any items on such capital budget.

2.5. In addition, the council shall consider the likely impact of such operation expenses-net of any revenues expected to be generated by such item-on future property rates and service tariffs.

2.6. The council shall establish an asset financing reserve for the purpose of financing capital projects and the acquisition of capital assets. Such reserve shall be established from the following sources of revenue:

a) Inappropriate cash –backed surpluses to the extent that such surpluses are not required for operational purposes;

b) Interests on the investments of the asset financing receive, appropriated in terms of the banking and investments policy;

c) Further amounts appropriated as contributions in each annual or adjustment budget; and

d) Net gains on the sale for fixed assets in terms of the fixed assets management and accounting policy.

2.7. Any inappropriate surplus from previous financial year, shall not be used to balance any annual or adjustments budget, but shall be appropriated, as far as it is not required to finance the payment of operating creditors or (provided it is cash backed)to the Municipality ‘asset financing reserve.

2.8. An impending operating deficit shall be made good in an adjustments budget, but if an operating deficit arises at the end of a financial years, notwithstanding the precautionary measures adopted by the council, such deficit shall immediately be made good in the annual or adjustment budget for the ensuing financial year, and shall not be offset against any un-appropriated surplus carried forward from the preceding financial year.

2.9. The municipality shall establish and maintain a provision for bad debts in accordance with its Rates and Tariffs policy, and shall budget appropriately for the contribution to such provision in each annual and adjustment budget (such contribution shall not be less than the actual contribution made on the previous financial year.)

2.10. When considering the draft annual budget, the council shall consider the impact that the proposed increases in rates and services tariffs will have on the monthly municipal accounts of households in the municipal area. The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.

2.11. Finance charges payable by the municipality shall be apportioned between departments or votes on the basis of the proportion at the last balance sheet date of the carrying value of the fixed assets belonging to such department or vote to the aggregate carrying value of all fixed assets in the Municipality. However, where it is the council 's policy to raise external loans only for the financing of fixed assets in specified council services, finance charges shall be charged to or apportioned only between the departments or votes relating to such services.

2.12. Depreciation and finance charges together shall not exceed 20% of the aggregate expenses budgeted for in the operating budget component of each annual or adjustment budget and shall be charged or apportioned only between the departments or vote to which the asset relate.

2.13. The allocation of interest earned on the Municipality's investments shall be budgeted for in terms of the investment policy.

2.14. The municipality shall adequately provide in each annual and adjustment budget for the maintenance of its fixed assets in accordance with its fixed assets management and accounting policy. At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for such maintenance.

2.15. Notwithstanding the preceding principle, the budget for salaries, allowances and salaries-related benefits shall be separately prepared, shall not exceed 35% of the aggregate operating budget component of the annual or adjustment budget. For purpose of applying this principle, the remuneration of political office bearers and other councilor shall be excluded from this limit.

2.16. The municipality shall establish and maintain a provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of official s as at 30 June of each financial year, and shall budget appropriately for the contributions to such provision in each annual and adjustments budget.

2.17. Each Director shall submit his/her business plan for the ensuing year to the finance department at February of each year accompanied by general expenditure projections with total budget not exceeding the limits set by the Chief Financial Officer.

2.18. In approving the budget the council shall approve the allocations made per function as prescribed by the National Treasury. The council may however require more detailed supporting documentation in regard to the functional allocations. In addition the resolution shall include any other matter prescribed by this policy.

2.19. The Head of the Department (Directors) service or function to which budget vote relates shall justify the allocation of the aggregate for such vote to the various line items within the vote to the portfolio committee responsible for the department, service or function concerned and shall provide the relevant portfolio committee with quarterly performance indicators and service targets pertain to the budget.

2.20. The Chief Financial Officer shall ensure that the cost of indigent relief is separately reflected in the appropriate votes.

3. PREPARATION OF THE BUDGET

3.1 Without derogating in any way from the legal responsibilities of the municipal manager as Accounting Officer, the Chief Financial Officer shall be responsible for preparing the annual capital and operating budgets (including the budget components required for the ensuing financial years) and any required adjustments budgets. The projections of revenue and expenses for the service delivery and budget implementation plan (including the alignment of such projections with the cash management programme prepared in terms of the investments policy) and shall be accountable to the municipal manager in regard to the performance of these functions.

3.2 The Mayor shall convene a strategic workshop in September or October with executive committee members and managers to determine the IDP priorities to form the basis for the preparation of MTREF budget in consideration of financial and political pressures facing the municipality.

3.3 The Chief Financial Officer shall draft the budget timetable for the ensuing financial year for the mayor's approval ,and shall indicate in such timetable the target dates for the draft revision of the annual budget and the preparation of the annual budget for the ensuing financial year, which targets dates shall follow the prescription of the municipal finance management act, and target dates for the submission of all the budget related documentation to the mayor, budget committee member, executive committee council.

3.4 Except where the chief financial officer, with the consent of the mayor and municipal manager, decides otherwise, the sequence in which each annual budget and adjustment budget shall be prepared, shall be: first, the capital component, and second, the operating component. The operating component shall duly reflect the impact of the capital component on:

a) Depreciation charges

b) Repairs and maintenance expenses

c) Interest payable on external borrowings

d) Other operating expenses

3.5 In preparing the operating budget, the chief financial officer shall determine the number and type of votes to be used the line-items to be shown under each vote, provided that in so doing the chief financial officer shall properly and adequately reflect the organizational structure of the municipality, and further in so doing

shall comply-in so far as the organizational structure permits –also with the prescribed budget format per municipal budget and reporting regulation.

3.6 The Chief Financial Officer shall determine the depreciation expenses to be charged to each vote, the appointment of interest payable to the appropriate votes, the estimates of withdrawal from (claims) and contributions to (premiums) the self-insurance reserve, and the contributions to the provisions for bad debts, and accrued leave entitlements.

3.7 The Chief Financial Officer shall further, with the approval mayor and the municipal manager, determine the recommended contribution to the asset financing reserve and any special contributions to the self-insurance reserve.

3.8 The Chief Financial Officer shall also, again with the approval of the mayor and the municipal manager; having regard to the council‘s current financial performance, determine the recommended aggregate growth factor(s) according to which the budgets for the various votes shall be drafted.

3.9 The Chief Financial Officer shall compile monthly budget reports, with recommendations, comparing actual results with budgeted projections, and the head of departments shall timorously and adequately furnish the chief financial officer with all explanations required for deviations from the budget.

3.10 The chief financial officer shall submit these monthly reports to the mayor, finance committee and the executive committee in accordance with the prescriptions of the Municipal Finance Management Act 56 of 2003.

3.11 The Chief Financial Officer shall provide technical and administrative support to the accounting officer and the Mayor in the preparation and approval of the annual and adjustment budgets, as well as in the consultative process which must precede the approval of such budgets.

3.12 The chief financial officer shall the annual and adjustment budgets comply with the requirements of the National Treasury, reflect the budget priorities determined by the Mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the mayor on the revision of the IDP and the budget –related policies where these are indicated.

3.13 The chief financial officer shall make recommendations on the financing of the capital budget for the ensuing and future financial years, indicating the impact of viable alternative financing scenarios on future expenses, and specifically commenting on the relative financial merits of internal and external financing options.

3.14 The chief financial officer shall determine the basis for allocating overhead expenses not directly chargeable to votes. The expenses associated with the democratic process shall be allocated to a separate vote, and shall not be charged out as an overhead.

3.15 The chief financial officer shall ensure that the cost of indigent support programmes is separately reflected in the appropriate votes.

3.16 The chief financial officer shall ensure that the allocations from other organs of state are properly reflected in the annual and adjustment budget, and that the estimated expenses against such allocations (other than the equitable share) are appropriately recorded.

4. MUNICIPAL FINANCE MANAGEMENT ACT,2003(ACT NO.56 OF 2003)

REQUIREMENTS FOR MUNICIPAL BUDGETS

4.1. SECTION 15: APPROPRIATION OF FUNDS FOR EXPENDITURE.

i. Expenses may only be incurred in terms of the approved annual budget (or adjustments budgets) and within the limits of the amounts appropriated for each budget vote.

4.2. SECTION 16: ANNUAL BUDGET

ii. The council must approve the annual budget before the start of the financial year to which it relates.

iii. The mayor must table the annual budget at least ninety days before the start of such financial year.

iv. The capital budget may extend over three years, provided that it is separated into annual appropriations for that period.

4.3. SECTION 17: CONTENTS OF ANNUAL BUDGETS AND SUPPORTING DOCUMENTS.

i. The budget must be as prescribed in the municipal budget and reporting regulation and must be divided into a capital and an operating budget.

ii. The budget must reflect the realistically expected revenues by major source for the budget year concerned.

iii. The expenses reflected in the budget must be divided into votes.

iv. The budget must also contain the foregoing information for the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the year before the current year, and the estimated revenues and expenses for the current year.

v. The budget must be accompanied by all the following documents:

a) Draft resolutions approving the budget and levying property rates, other taxes and tariffs for the year concerned;

b) Draft resolutions(where applicable)amending the IDP and the budget related policies;

c) Measurable performance objectives for each budget vote, taking into account the council's IDP;

d) The projected cash flows for the financial year by revenue sources and expenditure votes;

e) Any proposed amendments to the IDP;

f) Any proposed amendment to the budget-related policies; which include amongst others Budget policy, Rates policy, Investment policy, Borrowing policy, Credit control and debt collection policy, Tariff policy, Supply chain management policy etc.

g) The cost to the council of the salaries, allowances and other benefits of its political office bears and other councilor, the municipal manager, the chief financial officer and other senior managers;

h) Particulars of any proposed allocations or grants to other municipalities, municipal entitles, external mechanism assisting the municipality in service delivery, other organs of state, and organizations such as NGOs,welfare institution;

i) Particular of the council;investments;and

j) Various information in regard to municipal entities under shared or sole control of the council.

4.4. SECTION 18: FUNDING OF EXPENDITURES

The budget may be financed only from:

a) realistically expected revenues, based on current and previous collection levels;

b) cash-backed funds available from previous surpluses where such funds are not required for other purpose; and

c) Borrowed funds in respect of the capital budget only.

4.5. SECTION 19 : CAPITAL PROJECT

4.5.1. A Municipality may spend money on a capital project only if the money for the project (including the cost of any required feasibility studies) has been appropriated in the capital budget.

4.5.2. The total cost of the project must also be approved by the council.

4.5.3. The envisaged sources of funding for the capital budget must be properly considered and the council must be satisfied that this funding is available and has not been committed for other purpose.

4.5.4. Before approving a capital project, the council must consider the projected cost of the project over all the ensuing financial years until the project becomes operational, as well as the future operational costs and any revenues which may arise in respect of such project, including the likely future impact on property rates and service tariffs.

4.6. SECTION 20 :MATTERS TO BE PRESCRIBED

4.6.1. The Minister of Finance must prescribe the inflation projection which the municipality must use in compiling its budget.

4.6.2. The Minister may also prescribed uniform norms and standards to the setting of tariffs where a municipality entity or other external mechanism are used to perform a municipal service; and may also take appropriate steps to ensure that a municipality does not, in exceeding its fiscal powers, materially and unreasonable prejudice national economic policies (particularly on inflation,administered pricing and equity)economic activities across municipal boundaries ,and the national mobility of goods,services, capital or labour.

4.7. SECTION 21 : BUDGET PREPARATION PROCESS

4.7.1. The Mayor of the Municipality must :

a) Co-ordinates the processes for preparing the annual budget, and for reviewing the municipality ‘s IDP and budget related policies to ensure that the budget, IDP,and the policies are mutually consistent and credible;

b) Appoint budget committee to assist with the preparation of the budget.

c) At least ten months before the start of the ensuing financial year ,table in the council the time schedule with key deadlines for the preparation, tabling and approval of the following year ‘s annual budget, the review of the IDP and budget-related policies, the consultative processes required in the approval of the budget;

d) When preparing the annual budget ,take into account the municipality ‘s IDP,the nation budget, provincial budget, the national government’s fiscal and macro –economic policies, and the annual Division of Revenue Act;

e) Take all reasonable steps to ensure the Municipality revises its IDP in line with realistic revenue and expenditure projections for future years;

f) Consult the district municipality(if it is a Local Municipality)and all other local municipalities in the district;

g) Consult the national treasury when requested, the provincial treasury ,and such other provincial and national organs of state as may be prescribed;

h) Provide, on request, any budget-related information to the National Treasury, other National and Provincial or National organs of state and other Municipality affected by the budget.

4.8. SECTION 22: PUBLICATION OF ANNUAL BUDGETS

4.8.1. Immediately after the annual budget has been tabled, the Municipal Manager must make this budget-related documentation public, and must invite to the local community to submit representations in regard to such budget.

4.8.2 The Municipal Manager must also immediately submit the tabled budget in both printed and electronic formats to the National Treasury, the Provincial Treasury, and in either format to prescribed national and provincial or national organs of state and other municipalities affected by the budget.

4.9 CONSULTATIONS ON TABLED BUDGETS

4.9.1 After the budget has been tabled, the Council of the Municipality must consider the views of the local community, the National Treasury, the Provincial Treasury, and any provincial or national organs of state or municipalities which have made submissions on the budget.

4.9.2 After considering these views, the Council must give the mayor the opportunity to respond to the submissions received, and – if necessary – revise the budget and table the relevant amendments for consideration by the Council.

4.9.3 The National Treasury may issue guidelines on the manner in which the Council must process the annual budget, including guidelines on the formation of a committee of the Council to consider the budget and hold public hearings. Such guidelines shall be binding only if they are adopted by the Council.

4.10 SECTION 24: APPROVAL OF ANNUAL BUDGETS

4.10.1 The Council must consider approval of the budget at least thirty days before the start of the financial year to which such budget relates.

4.10.2 The budget must be approved before the start of such financial year, and the resolutions and performance objectives referred to in Section 17 must simultaneously be adopted.

4.11 SECTION 25: FAILURE TO APPROVE BUDGET BEFORE THE START OF THE BUDGET YEAR

4.11.1If a municipal council fails to approve an annual budget, including revenue raising measures necessary to give effect to the budget, the Council must reconsider the budget and again vote on the budget or on an amended version thereof within seven days of the council meeting that failed to approve the budget.

4.11.2 This process must be repeated until a budget, including revenue-raising measures necessary to give effect to the budget, is approved.

4.11.3 If a municipality has not approved an annual budget, including revenue-raising measures necessary to give effect to the budget, by the first day of the budget year the Mayor must immediately request intervention by the Provincial MEC for local government.

4.12 SECTION 26: CONSEQUENCES OF FAILURE TO APPROVE BUDGET BEFORE THE START OF THE BUDGET YEAR

4.12.1 The Provincial Executive must intervene in any municipality which has not approved its annual budget by the start of the relevant financial year. Such intervention must entail the taking of any appropriate steps to ensure a budget is approved, including dissolving the Council and appointing an administrator until a new Council can be elected, and approving a temporary budget until such new Council can adopt a permanent budget for the Municipality.

4.12.2 The section also imposes restrictions on what may be spent in terms of such temporary budget.

4.13. SECTION 27: DUTIES OF THE MAYOR IN THE EVENT HE BECOMES AWARE OF NON-COMPLIANCE WITH BUDGETING REQUIREMENTS.

4.13.1 This Section sets out the duties of the Mayor to report any impending non-compliance and the general consequences of non-compliance with the requirements of the various foregoing prescriptions.

(a) The Mayor of a Municipality must, upon becoming aware of any impending non-compliance by the Municipality of any provisions of this Act or any other legislation pertaining to the tabling or approval of an annual budget or compulsory consultation processes, inform the MEC for Finance in the province, in writing, of such impending non-compliance.

(b) If the impending non-compliance pertains to the time provision, except section 16(1), the MEC for Finance may, on application by the Mayor and on good cause shown extend any time limit or deadline contained in that provision, provided that no such extension may compromise compliance with section 16 (1). An MEC for Finance must in exercising the powers contained in this subsection promptly notify the National Treasury, in writing, of any extensions given in terms of this subsection, together with the name of the Municipality and the reasons.

(c) The Mayor of a municipality must, upon becoming aware of any actual non-compliance by the Municipality of a provision of this Chapter inform the Council, the MEC for Finance and the National Treasury, in writing of such non-compliance; and any remedial or corrective measures the Municipality intends to implement.

(d) Non-compliance by a municipality with a provision of this Chapter relating to the budget process or a provision in any legislation relating to the approval of a budget-related policy, does not affect the validity of an annual or adjustments budget.

(e) The Provincial executive may intervene in terms of the appropriate provision of section 139 of the constitution, 1996, if a municipality cannot or does not comply with the provision of this Chapter, including a provision relating to process.

4.14 SECTION 28: MUNICIPAL ADJUSTMENT BUDGETS

4.14.1 A municipality may revise its annual budget by means of an adjustments budget.

4.14.2 However, a municipality must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.

4.14.3 A municipality may appropriate additional revenues which have become available but only to revise or accelerate spending programmes already budgeted for.

4.14.4 A municipality may in such adjustments budget, and within the prescribed framework, authorized unforeseen and unavoidable expenses on the recommendation of the Mayor.

4.14.5 A municipality may authorize the utilization of projected savings on any vote towards spending under another vote.

4.14.6 Municipalities may also authorize the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the Council.

4.14.7 Only the mayor of the Municipality may table an adjustments budget. Such budget may be tabled whenever necessary, but limitations on the timing and frequency of such tabling may be prescribed.

4.14.8 An adjustments budget must contain all of the following:

(a) an explanation of how the adjustments affect the approved annual budget;
(b) appropriate motivations for material adjustments; and
(c) an explanation of the impact of any increased spending on the current and future annual budgets.

4.14.9 Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.

4.15 SECTION 29: UNFORESEEN AND UNAVOIDABLE EXPENDITURE

4.15.1 With regard to unforeseen and unavoidable expenses, the following apply:

(a) the Mayor may authorize such expenses in an emergency or other exceptional circumstances;
(b) the municipality may not exceed a prescribed percentage of the approved annual budget in respect of such unforeseen and unavoidable expenses;
(c) these expenses must be reported by the mayor to the next council meeting;
(d) the expenses must be appropriated in an adjustments budget; and
(e) the adjustments budget must be passed within sixty days after the expenses were incurred.

4.16 SECTION 30: UNSPENT FUNDS

4.16.1 The appropriation of funds in an annual or adjustments budgets will lapse to the extent that they are unspent by the end of the relevant budget year, but except for the expenses referred to above in section 16.

4.17 SECTION 31:SHIFTING OF FUNDS BETWEEN MULTI-YEAR APPROPRIATIONS

4.17.1 If the funds for a capital project have appropriated for more than one financial year (see Section 16) these expenses may exceed the appropriation for any one financial year, provided:

(a) the increase is not more than 20% of that financial year's allocation;
(b) the increase is funded in the next financial year's appropriation;
(c) the Municipal manager certifies that actual revenues are expected to exceed budgeted revenues, and that enough funds will be available to finance such increased appropriation without incurring further borrowing beyond the annual budget limit;
(d) the Mayor gives prior written approval for such increased appropriation; and
(e) all the above documentation is provided to the Auditor-General.

4.18. SECTION 32: UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFULL EXPENDITURE

4.18.1 The Municipality may authorize previously unauthorized expenses in an adjustments budget thus approving such expenditure.

4.19. 4.19. SECTION 33: CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

4.19.1 Contacts extending beyond one financial year may be entered into by a municipality, but if such contract extends beyond the three years covered in the annual budget, the Municipality may enter into such contract only if:

(a) The Municipal manager, at least sixty days before the council meeting at which the contract is to be approved, has made the contract public, with an information statement summarizing the Municipality's obligations, and inviting the local community and other interested parties to submit comments or make representations.
(b) The Municipal manager solicits the views and recommendations of the National Treasury and Provincial Treasury in respect of such contract, as well as those of the National Department of Provincial and Local Government, and any national department concerned with water, sanitation or electricity, if the contract relates to any of these services.
(c) The council has taken into account the projected financial obligations in regard to such contract, the impact on tariffs, and the views and comments received from all the foregoing parties.
(d) The Council adopts a resolution determining that the Municipality will secure a significant capital investment or derives a significant financial or economic benefit from the contract, and approves the entire contract exactly as it is to be executed.

4.19.2 A contract for purposes of this Section shall exclude any contract relating to the incurring of long-term debt by the Municipality, employment contracts, contracts for categories of goods as may be prescribed, or contracts where the value of the contracts is less than a prescribed value or a prescribed percentage of the annual budget.

4.20 SECTION 42: PRICE INCREASES OF BULK RESOURCES FOR PROVISION OF MUNICIPAL SERVICES

4.20.1 National and provincial organs of state which supply water, electricity or any other bulk resources to municipalities or

municipal entities for the provision of municipal services may increase the price of such resources only after doing all the following:

(a) The proposed increase must be submitted to the organ's executive authority and (where legislation so requires) to any regulatory agency for approval.

(b) At least forty days prior to the above submission the National Treasury and Organized local government must be invited to submit written comments on the proposed increased.

(c) The executive authority, after taking into account the comments received, must table the price increase in Parliament or the Provincial Legislature, as the case may be, with a full motivation and certain other prescribed explanatory documentation.

4.20.2 Unless the Minister of Finance otherwise directs, a price increase must be tabled on or before 15 March to take effect from 1 July of the same year. If it is tabled after 15 March it may take effect from 1 July of the following year.

4.21 SECTION 43: APPLICABILITY OF TAX AND TARIFF CAPPING ON MUNICIPALITIES

4.21.1 If a National or Provincial organ of state is legislatively empowered to determine the upper limits of any municipal tax or tariff, such determination takes effect on the date specified in the determination, but provided that, unless the Minister of Finance otherwise directs:

(a) A determination promulgated on or before 15 March shall not take effect before 1 July of the same year.

(b) A determination promulgated after 15 March shall not take effect before1 July of the following year.

(c) A determination shall not be allowed to impair a municipality's ability to meet any annual or periodic escalations in the payments it must make in respect of any contract legally entered into by a Municipality.

4.21 SECTION 53: BUDGET PROCESSES AND RELATED MATTERS

4.21.1 The mayor of the Municipality must:

(a) Provide general political guidance over the annual budget process and the priorities that guide the preparation of each budget. In order to perform this function, the mayor must establish a budget steering committee which must consist of at least the following persons:

- The councilors responsible for financial matters;
- The municipal manager
- The chief financial officer
- Senior managers responsible for at least the three largest votes in the municipality;
- Manager responsible for budgeting;
- Manager responsible for planning and
- Manager responsible for infrastructure

(b) Co-ordinate the annual revision of the IDP, as well as the preparation of the annual budget, and determine how the IDP is to be taken into account or is to be revised for purposes of such budget.

(c) Take all reasonable steps to ensure that the Council approves the annual budget before the start of the financial year to which it relates, and that the Municipality's Services Delivery and Budget Implementation Plan is approved within twenty-eight days after the approval of the budget.

(d) Ensure that the annual performance agreements for the Municipal Manager and the senior managers of the municipality are linked to measurable performance objectives which are approved with the budget and the Service Delivery and Budget Implementation Plan.

4.21.2 The Mayor must promptly report to the council and the MEC for Local Government any delay in tabling the annual budget, approving the service delivery and Budget Implementation plan or signing the annual performance agreements.

4.21.3 The Mayor must further ensure that the service delivery targets and quarterly performance indicators, and the monthly projections of revenues and expense in the Service Delivery and Budget Implementation plan, are made public not later than fourteen days after these matters have been approved; and that the performance agreements of the Municipal Manager and other senior official are

similarly made public not later than fourteen days after their approval.

4.22 SECTION 68: BUDGET PREPARATION

4.22.1 The Municipal Manager must assist the Mayor in performing the assigned budgetary functions and must provide the Mayor with administration support, operational resources and the information necessary to perform these functions.

4.23 SECTION 69: BUDGET IMPLEMENTATION

4.23.1 The Municipal Manager is responsible for implementing the budget, and must take reasonable steps to ensure that:
(a) funds are spent in accordance with the budget
(b) expense are reduced if expected revenues are less than projected; and
(c) revenues and expenses are properly monitored

4.23.2 The Municipal Manager must prepare any adjustments budget when such budget is necessary and submit it to the Mayor for consideration and tabling in council.

4.23.3 The Municipal Manager must submit a draft Service Delivery and Budget Implementation plan to the Mayor fourteen days after the annual budget has been approved, and must also within the same period submit draft of the annual performance agreements to the Mayor.

4.23.4 Section 70 Impending shortfall, overspending and overdrafts: the Municipal Manager must report in writing to the Council any impending shortfall in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

4.24 Section 71: MONTHLY BUDGET STATEMENTS

4.24.1 The Municipal Manager must, not later than ten working days after the end of each calendar month, submit to the Mayor and Provincial Treasury a report in the prescribed format on the state of the Municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

This report reflects the following:

a) actual revenues per source, compared with budgeted revenues;

b) actual expenses per vote, compared with budgeted expenses;

c) actual capital expenditure per vote, compared with budgeted expenses;

d) Actual borrowings, compared with the borrowings envisaged to the capital budget.

e) the amount of allocations received, compared with the budgeted amount;

f) actual expense against allocations, but excluding expenses in respect of the equitable share;

g) explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and

h) expenses by vote as set out in the Service Delivery and Budget Implementation Plan;

i) The remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and

j) Projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been based.

4.23.5 The report to the National Treasury must be both in electronic format and in asigned writing document.

4.24 SECTION 54: BUDGETARY CONTROL AND EARLY IDENTIFICATION OF FINANCIAL PROBLEMS.

4.24.1 On receipt of the report from the Municipal Manager, the Mayor must:

a) consider the report

b) check whether the budget has been implemented in accordance with the Service Delivery and Budget Implementation Plan;

c) issue an appropriate instructions to the Municipal Manager to ensure that the budget is implemented in accordance with this Plan, and that the spending of funds and the collection of revenues proceed in accordance with the approved budget;

d) identify any financial problem facing the municipality, as well as any emerging or impending financial problems; and

e) submit the council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the Municipality

4.24.2 if the Municipality faces any serious financial problems, the Mayor must:

a) promptly respond to and initiate the remedial or corrective steps proposed by the Municipal Manager, and

b) Alert the MEC for Local Government and the council of the Municipality to the problem concerned.

4.24.3 The Mayor may revise the details of the Service Delivery and Budget Implementation Plan, but any revisions to the service delivery targets and quarterly performance indicators must be approved by the Council, and be supported by an adjustment. Any changes made to the projections of revenues and expenses as set out in the plan must promptly be made public.

4.25 SECTION 55: REPORT TO PROVINCIAL EXECUTIVE IF CONDITIONS FOR PROVINCIAL INTERVENTIONS EXIST.

4.25.1 If the Council has not approved its annual budget by the first day of the financial year to which it relates, or if the Municipality encounters serious financial problems, the Mayor must immediately report this matter to the MEC for Local Government and may recommend a provincial intervention.

4.26 SECTION 72: MID YEAR BUDGET AND PERFORMANCE ASSESSMENT

4.26.1 The Municipal manager must assess the budgetary performance of the Municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six month, the service delivery performance of the Municipality as against the service delivery targets and performance indicators which were set in the Service Delivery and Budget Implementation Plan, and the past financial year's annual report and the progress made in resolving problems identified in such a report.

4.26.2 The Municipal manager must then submit a report on such assessment to the Mayor, the National and Provincial Treasury

4.26.3 The Municipal manager may in such report make recommendations for adjusting the annual budget and for revising the projections of revenues and expenses set out in the Service Delivery and Budget Implementation Plan.

4.26.4 In terms of Section 54(1)(f) the Mayor must promptly submit this assessment report to the Council of the Municipality.

4.26.5 The report in terms of section 72 must be submitted to National Treasury and the relevant provincial treasury in both printed and electronic by 25 January of each.

4.27 SECTION 73: REPORTS ON FAILURE TO ADOPT OR IMPLEMENT BUDGET-RELATED AND OTHER POLICIES

4.27.1 The Municipal manager must inform the Provincial Treasury, in writing, of any failure by the council to adopt or implement any budget-related policy or a supply chain management policy, and of any non-compliance by an office bearer or political structure with such policy.

4.28 SECTION 75: INFORMATION TO BE PLACED ON WEBSITES OF MUNICIPALITIES

4.28.1 The Municipal manager must place on the Municipality's official website (*inter alia)* the following:

a) he annual and adjusted budget and all budget-related documents;

b) all budget-related policies;

c) all performance agreements;

d) all service delivery agreements;

e) all long term borrowing contracts

f) all quarterly reports submitted to the Council on the implementation of the budget and the financial state of affairs of the Municipality.

4.29 SECTION 80: ESTABLISHMENT (OF MUNICIPAL BUDGET AND TREASURY OFFICE)

4.29.1 Every municipality must have a budget and treasury office comprising a Chief Financial Officer, support by appointed officials and contracted staff.

4.30 SECTON 81: ROLE OF THE CHIEF FINANCIAL

4.30.1 The Chief Financial Officer is administratively in charge of the Budget and Treasury office and must, inter alia

a) assist the Municipal Manager in Preparing and implementing the Budget;

b) Perform such budgeting, financial reporting and financial management and review duties as are delegated by the Municipal Manager.

c) Account to the municipal manager for the performance of all the foregoing responsibilities.

5. RESPONSIBILITIES IN PREPARING THE BUDGET

5.1 Whilst the Municipal Manager is accountable and responsible overall, the Chief Financial Officer is responsible for compiling the municipality‘s consolidated draft annual budget.

5.2 This matter also receives the attention of the municipality‘s finance committee and ultimately the council.

5.3 According to section 81 of the MFMA the Chief Financial Officer is administratively in charge of the budget and Treasury office and must, inter alia,

a) Assist the municipal manager in preparing and implementing the budget;

b) Perform such budgeting, financial reporting and financial management and review duties as are delegated by the Municipal Manager;

c) Account to the municipal manager for the performance of all the foregoing responsibilities.